

**STATE OF NORTH DAKOTA  
BISMARCK, NORTH DAKOTA**

**REPORT OF EXAMINATION  
OF  
FARMERS MUTUAL REINSURANCE  
COMPANY OF NORTH DAKOTA  
JAMESTOWN, NORTH DAKOTA**

**AS OF  
DECEMBER 31, 1996**

STATE OF NORTH DAKOTA  
DEPARTMENT OF INSURANCE

I, the undersigned, Commissioner of Insurance of the State of North Dakota do hereby certify that I have compared the annexed copy of the Report of Examination of the

**Farmers Mutual Reinsurance Company of North Dakota**

**Jamestown, North Dakota**

as of December 31, 1996, with the original on file in this Department and that the same is a correct transcript therefrom and of the whole of said original.

IN WITNESS WHEREOF, I have hereunto  
set my hand and affixed my official  
seal at my office in the City of  
Bismarck, this \_\_\_\_\_ day of  
\_\_\_\_\_, 1997.

---

Glenn Pomeroy  
Commissioner of Insurance

## TABLE OF CONTENTS

INTRODUCTION .....	1
SCOPE OF EXAMINATION .....	1
HISTORY .....	2
MANAGEMENT AND CONTROL .....	2
Directors .....	2
Officers .....	3
CORPORATE RECORDS .....	3
Members .....	4
Directors .....	4
FIDELITY BOND AND OTHER INSURANCE .....	4
TERRITORY .....	4
SIX-YEAR OVERVIEW .....	4
Assessments .....	4
ACCOUNTS AND RECORDS .....	5
FINANCIAL STATEMENTS .....	5
COMMENTS TO THE FINANCIAL STATEMENTS .....	8
Assessments from Member Companies .....	8
Surplus to Policyholders .....	8
CONCLUSION .....	8

Jamestown, North Dakota  
August 29, 1997

Honorable Glenn Pomeroy  
Commissioner of Insurance  
State of North Dakota  
600 East Boulevard Avenue  
Bismarck, ND 58505

Dear Sir:

Pursuant to your instructions and in accordance with the North Dakota Insurance Code and resolutions adopted by the National Association of Insurance Commissioners, an examination was made of the books, records, and financial condition of

**Farmers Mutual Reinsurance Company of North Dakota  
Jamestown, North Dakota**

as of December 31, 1996.

## **INTRODUCTION**

Farmers Mutual Reinsurance Company of North Dakota, Jamestown, North Dakota, hereinafter referred to as the "Company", was last examined as of December 31, 1990, by representatives of the State of North Dakota.

## **SCOPE OF EXAMINATION**

The current examination covers the period January 1, 1991, through December 31, 1996, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination.

This examination was made in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners with due regard to the statutory requirements of the insurance laws, rules, and regulations of the State of North Dakota.

Examination procedures included a verification and evaluation of assets, a determination of liabilities, and review of corporate records, claim files, and other records relating to Company operational practices.

## **HISTORY**

The Company was incorporated in December 1937 under N.D.C.C. § 26-15-24 with its present name and commenced business March 1, 1938, with its home office and principal place of business at Turtle Lake, North Dakota. Since 1983, the Company has been governed by provisions contained in N.D.C.C. Chapter 26.1-13.

The Articles of Incorporation and Bylaws of the Company originally disclose 10 county mutual fire insurance companies as incorporators.

The purpose for which the Company was formed was to reinsure fire risks of Farmers County Mutual Insurance Companies domiciled within the State of North Dakota and to protect its members from direct loss or damage by fire or lightning, by reinsuring its members against loss on any policy written by a member in an amount and under terms and conditions as provided by the Board of Directors and the Bylaws. The Company has the right to participate in adjusting any reported loss and has 60 days from the date a proof of loss is received to pay an allowable claim.

The business of the Company was transacted on the mutual assessment plan. Assessments were levied only for the payment of loss or damage caused by fire and lightning and to defray the normal and necessary expenses incurred by the Company.

The Bylaws provide that the Company's existence is perpetual or continues until such time as it may be legally dissolved.

During April 1967, the business office of the Company was moved to Hettinger, North Dakota.

The Company suspended active operations in January 1984. Since 1987, the accounts and records of the Company have been located in the home office of the James River Mutual Insurance Company, Jamestown, North Dakota. The Company pays no rent for its occupancy.

## **MANAGEMENT AND CONTROL**

The Company is controlled by its membership. The members of the Company are composed only of farmers county mutual insurance companies, domiciled in North Dakota, who utilize the Company for purposes of reinsurance.

Since the Company suspended reinsurance operations in 1984, membership in the Company has been informally redefined to include all those county mutual insurers who have paid the voluntary expense fund assessment. At December 31, 1996, the Company had nine members.

### **Directors**

The management of the Company's affairs, business, and property is vested in a Board of Directors composed of seven members elected for staggered terms of two years each at the annual meeting of the membership. A majority of the entire Board of Directors constitutes a quorum for the transaction of business.

Directors duly elected and serving the Company at December 31, 1996, were as follows:

<b>Name and Residence</b>	<b>Term Expires</b>	<b>Occupation</b>
Eugene Bossert Park River, ND	1997	Secretary-Treasurer Dundee Mutual Insurance Company
Brenda Doll New Salem, ND	1997	Secretary-Treasurer Morton-Oliver Counties Mutual Insurance Company
Delfena Ballweber Wahpeton, ND	1997	Secretary-Treasurer Home Mutual Insurance Company
Rueben Arndt Garrison, ND	1997	Secretary-Treasurer West McLean County Farmers Mutual Insurance Company
William Riebe Pingree, ND	1998	Farmer and Director James River Mutual Insurance Company
Barry Townsend LaMoure, ND	1998	Secretary-Treasurer LaMoure-Greenfield Mutual Insurance Company
Chad McLeod Cando, ND	1998	Secretary-Treasurer Farmers Mutual Insurance Company of Towner County

### **Officers**

Officers are elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting. Officers serving at December 31, 1996, were as follows:

#### **Name**

Eugene Bossert  
Brenda Doll  
Shirley Netzer

#### **Office**

President  
Vice President  
Secretary and Treasurer

## **CORPORATE RECORDS**

The minutes of the meetings held by the membership and directors during the years under examination were reviewed for compliance with the Articles of Incorporation, Bylaws, and statutory requirements.

It was noted that Section 8 of the Bylaws requires the Secretary to carry a \$30,000 fidelity bond which requirement was not satisfied during the period under review. Given the Company's inactive status, it is suggested that the Bylaws be amended to eliminate the requirement.

## **Members**

During the period under examination, annual meetings of the membership were held on the following dates: March 18, 1991; March 16, 1992; February 9, 1993; February 7, 1994; January 30, 1995; and February 9, 1996. One special meeting was held in 1993.

## **Directors**

During the period under examination, the Board of Directors held one regular meeting in 1991, 1992, 1993, 1994, 1995, and 1996. Two special meetings were held in 1992.

## **FIDELITY BOND AND OTHER INSURANCE**

All insurance coverages protecting the Company from risk or hazard were terminated when the Company suspended active operations in January 1984.

## **TERRITORY**

The Company, by virtue of its charter and in accordance with statutory provisions, is authorized to solicit reinsurance business from all farmers county mutual insurance companies located in the State of North Dakota.

## **SIX-YEAR OVERVIEW**

The following exhibit reflects the status of the Company over the six-year period under examination. Data with respect to the years 1992 through 1995 is as compiled from home office copies of the filed Annual Statements. Data for the year 1996 reflects the results of this examination. The financial results are presented on a cash basis.

<b>Year</b>	<b>Admitted Assets</b>	<b>Total Liabilities</b>	<b>Surplus as Regards Policyholders</b>	<b>Net Assessments</b>	<b>Disbursements</b>	<b>Investments and Other Income</b>	<b>Net Income (Loss)</b>
1991	\$ 392	\$ 60	\$332	\$250	\$185	\$15	\$ 80
1992	501	60	441	500	404	13	109
1993	1,015	260	755	900	408	22	514
1994	571	250	321		461	17	(444)
1995	485	280	205		394	7	(386)
1996	478	280	198	450	414	7	43

## **Assessments**

An expense fund assessment was assessed to each member during 1991 through 1993, and in 1996.

## **ACCOUNTS AND RECORDS**

The accounts and records of the Company are on a cash basis and consist of a cash receipts journal, a cash disbursement journal, and a corporate record book.

A trial balance was prepared as of December 31, 1996, for the purpose of tracing it to the Annual Statement with no differences noted.

## **FINANCIAL STATEMENTS**

The following statements reflect the financial condition of the Company as of December 31, 1996, as determined by this examination and its operating results for the year then ended.



**Farmers Mutual Reinsurance Company of North Dakota**  
**Assets, Liabilities, and Surplus**  
**as of December 31, 1996**

**ASSETS**

LEDGER ASSETS

Cash on Deposit \$228.34

TOTAL LEDGER ASSETS \$228.34

NONLEDGER ASSETS

Assessments from Member Companies \$250.00

TOTAL NONLEDGER ASSETS 250.00

TOTAL NET ADMITTED ASSETS \$478.34

**LIABILITIES**

Unpaid Taxes \$200.00

Unpaid General Expenses 80.00

TOTAL LIABILITIES \$280.00

SURPLUS TO POLICYHOLDERS 198.34

TOTAL LIABILITIES AND SURPLUS \$478.34

**Farmers Mutual Reinsurance Company of North Dakota**  
**Statement of Income and Disbursements (Cash Basis)**  
**for the Year Ending December 31, 1996**

**INCOME**

Assessments	<u>\$450.00</u>	
NET ASSESSMENTS FROM OTHER COMPANIES		\$450.00
Interest on Cash on Deposit	<u>7.03</u>	
TOTAL INCOME RECEIPTS		\$457.03

**DISBURSEMENTS**

State and Local Insurance Taxes	\$200.00	
Insurance Department Licenses and Fees	80.00	
Expenses for Secretary	100.00	
Publish Abstract	<u>33.60</u>	
TOTAL FUNDS DISBURSED		<u>413.60</u>
NET INCOME (LOSS)		<u>\$ 43.43</u>

## COMMENTS TO THE FINANCIAL STATEMENTS

Financial statement balances at December 31, 1996, are commented upon only if financial changes, recommendations, or special explanations are considered necessary.

### **Assessments from Member Companies**

**\$250.00**

In its 1996 Annual Statement, the Company accrued for assessments that were not approved by the Board of Directors until 1997. The Company should only accrue for assessments that are approved in the current year but not received until the following year.

### **Surplus to Policyholders**

**\$198.34**

Surplus to policyholders was determined by this examination to be in the amount of \$198.34. No adjustments were made to surplus.

## CONCLUSION

The financial condition of Farmers Mutual Reinsurance Company of North Dakota, Jamestown, North Dakota, as determined by this examination as of December 31, 1996, is summarized as follows:

TOTAL ADMITTED ASSETS	<u>\$478.34</u>
Total Liabilities	\$280.00
Surplus to Policyholders	<u>198.34</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$478.34</u>

The Examiner expresses her appreciation for the courteous cooperation extended her during the course of this examination.

Respectfully submitted,

---

Diane Shervey, CPA, AFE  
Examiner  
N.D. Insurance Department